

Service Date: July 18, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of	)	UTILITY DIVISION
Midvale Water Service for Authority	)	
to Increase Rates and Charges for Water	)	DOCKET NO. 93.12.64
Service to its Eureka, Montana	)	
Customers.	)	ORDER NO. 5785b

**ORDER ON MOTION FOR RECONSIDERATION**

**BACKGROUND**

1. On March 15, 1995 the Montana Public Service Commission (Commission) issued Order No. 5785a granting Midvale Water Company (Midvale or Applicant) an increase in annual revenues of \$21,763 and establishing a rate design. After asking for more than the ten days allowed under ARM 38.2.4806(1), Midvale filed a Motion for Reconsideration on April 28, 1995, requesting that the Commission reconsider its decisions regarding the revenue requirement and rate design provided in Order No. 5785a. At a regularly scheduled work session on July 17, 1995 the Commission addressed the Motion for Reconsideration.

2. In Order No. 5785a the Commission denied Midvale's proposal to recover \$1,500 in engineering fees for possible highway relocation during 1995 as speculative. However, the Commission kept the record open for filing relevant information. Subsequently, Midvale documented that the highway relocation would commence on June 1, 1995 and that the engineering services would be incurred during 1995. On reconsideration, the Commission finds that Midvale's request to recover \$1,500 in engineering fees is reasonable.

3. The engineering expense is a non-recurring expense which will benefit future periods and should be amortized over a reasonable period. The Commission determines that it is reasonable to amortize the engineering expense over a three year period, and increases Midvale's annual revenue requirement by \$500.

4. In Order No. 5785a the Commission determined that Midvale's revenue requirement was \$50,945. With the Commission's reconsideration of the engineering costs, the annual revenue requirement of Midvale is increased to \$51,445.

5. In the Motion for Reconsideration, Midvale stated regarding the rate design authorized in Order No. 5785a:

[B]y retaining the 66% increase in effect by the interim order, adding the worker surcharge and line fee . . . and perhaps some other minor adjustments we can get the annual budget to a workable level.

Midvale's request to retain the 66 percent interim increase indicates its concern about its ability to generate the revenue requirement through the rate design authorized by the Commission in Order No. 5785a.

6. Midvale had requested a worker surcharge and a line fee (\$0.10 per linear frontage foot assessed against vacant lots in Midvale's service territory) which were both authorized in Order No. 5785a. The Commission determines that Midvale can retain the employee surcharge of \$3 per month on commercial accounts of more than two employees.

7. However, on closer examination, the Commission finds that the new line fee charge proposed by Midvale would decrease Midvale's ability to generate its revenue requirement. Viability of small water utilities requires a reasonable expectation of recovery of the revenue requirement from the rate design. Actual recovery of revenue from the line fee charge is not assured since Midvale does not provide service to the location. On reconsideration, the Commission denies the request to implement the proposed line assessment rate because of its unenforceability and speculative recovery.

8. Midvale seeks to increase its revenue through rates that would include capital cost recovery. In Order No. 5785a the Commission outlined the basis for denying recovery of the capital costs requested by Midvale. The Commission will not allow Midvale to increase its revenue requirement by the various proposed amounts which the Commission has already considered and rejected. However, it will grant Midvale a more certain method of recovering a fair revenue requirement. Rather than implementing the line assessment, Midvale may recover the \$6,528 that Midvale expected to be generated by the line fee assessment by increasing rates and charges to all customer classes, except the worker surcharge.

CONCLUSIONS OF LAW

1. The Applicant, Mountain Water Company, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over Applicant's rates and service pursuant to Section 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates and rate structure approved in this order are just and reasonable. Sections 69-3-201 and 69-3-330, MCA.

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

1. Midvale Water Service shall file rate schedules which reflect an increase in annual revenues of \$22,263, which includes the interim increase, for its Eureka, Montana, service area. The increased revenues shall be generated by increasing rates and charges to customer classifications as provided in this Order, as it modifies Order No. 5785a.

2. This rate increase is in lieu of, not in addition to, the rate increase approved in Order No. 5785a.

3. The rates shall become effective upon approval of the filing by the Commission. The rates shall be prospective and shall not include prior period water service.

DONE IN OPEN SESSION at Helena, Montana, this 17th day of July, 1995, by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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NANCY MCCAFFREE, Chair

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DAVE FISHER, Vice Chair

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BOB ANDERSON, Commissioner

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DANNY OBERG, Commissioner

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BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE:        You may be entitled to judicial review in this matter. Judicial review may be obtained by filing a petition for review within thirty (30) days of the service of this order. Section 2-4-702, MCA.